

**Testimony of
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Living Cities: The National Community Development Initiative

To the Subcommittee on Housing and Community Opportunity
Committee on Financial Services
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Good afternoon, Madame Chairwoman and members of the Subcommittee. I am pleased to be here this afternoon to discuss the work of Living Cities: The National Community Development Initiative, how Congress and the Administration have played a vital role in our work, and how we help to build the capacity of nonprofit community development organizations (CDCs) around the country.

As the largest and longest standing public-private partnership supporting community development organizations across the country, Living Cities is a strong supporter of increased funding for capacity building in non-profit community development corporations. As the NCDI experience has demonstrated, increased federal funding through programs like Section 4 will increase private sector investment, improve CDC access to public and private sector funds for community development projects, and increase the range of programs and services CDCs are able to provide in their communities. Promoting healthy and vibrant communities, which form the cornerstone of successful American cities, is one of the primary goals of Living Cities.

Building the capacity of CDCs and acting as a catalyst for supportive local partnerships has made a tangible difference in many cities. By the end of our first decade of investment, \$254 million in loans and grants had been contributed by NCDI funders, including HUD, which leveraged \$2.2 billion in CDC projects. Almost 20,000 units of affordable housing were built, and 1.7 million square feet of commercial and community-use facilities were completed by CDCs in 23 cities.

Background on Living Cities: the National Community Development Initiative

Living Cities: the National Community Development Initiative is a new name for the well-established community development support collaborative formerly known as the National Community Development Initiative (NCDI). Our new name reflects our belief, based on our first ten years of investing, that neighborhood-based community development work is essential to promoting the health and sustainability of entire metropolitan regions. Our goal of supporting vibrant cities and neighborhoods is

achieved by applying the “business of community” to the revitalization task. That means building business, finance, governmental and community networks and relationships.

Living Cities was begun in 1991 as a partnership among eight private sector funders – including seven national foundations and one financial service corporation – to help add impetus to the work of community development and nonprofit community development corporations (CDCs) in major cities across the country. Our funders sought to build the capacity of nonprofit CDCs and help them gain broader access to conventional private sector financing to accomplish their work, with the goal of revitalizing physically and economically distressed neighborhoods.

Living Cities has grown to include 15 private sector funding sources (see [Attachment 1](#)) and the U.S. Department of Housing and Urban Development, which joined in 1994 through Congressional appropriations that have been maintained since that time, through Section 4 Capacity Building for Community Development and Affordable Housing funds.

Over the first 10 years of Living Cities, more than \$250 million was raised, of which more than \$210 million came from private sources in the form of grants and loans. Last year, on the tenth anniversary of the start of the initiative, the funders made the extraordinary new commitment for another ten years, with a doubling of their funding commitment to \$500 million.

We rely on CDCs as a major vehicle to achieve the goal of improved neighborhoods. You will be hearing from others today, like the National Congress for Community Economic Development, about how CDCs have proven themselves as producers of affordable housing, commercial and community space in low-income neighborhoods nationwide. Our CDC support is generally targeted to 23 cities nationwide (see [Attachment 1](#) for a list of these cities) and is provided primarily with and through two national community development organizations also represented here today – The Enterprise Foundation and the Local Initiatives Support Corporation (LISC). These organizations operate as intermediary entities for us, providing technical support and financing mechanisms to CDCs that enable these local groups to effectively use our resources in completing their revitalization agendas.

Living Cities: A Model for Change

We strongly believe, as further detailed in our “Lessons from the National Community Development Initiative’s First Decade” attached to this testimony as [Attachment 2](#), that the capacity of CDCs to be effective agents of change in their communities depends upon many factors, including the existence of sustainable and supportive local systems that provide financial and technical support; investors that insist on accountability and performance standards; and strong public sector support for their activities.

With limited funds, we cannot directly support every organization or every good idea, and so we have concentrated our resources and demanded delivery for our investment. For the past eight years, we have chosen to fund community development in 23 large cities. In each city, our resources are building the capacity of individual CDCs – some 300, according to Enterprise and LISC – but we also are investing in the growth and

maturation of the environment in which the CDCs work. Part of our learning over the past 10 years is that neighborhoods cannot be healthy unless they are linked to the political and economic world around them.

Along with, and part of, our investment in system building at the local level, Living Cities funders have expressed clearly that they expect outcomes. Thus, each community that receives Living Cities support has to develop a specific workplan with measurable outcomes. If the community cannot achieve those outcomes, we have reserved the right – actually we expect – to reduce or eliminate funding.

In our current 3-year funding round, the workplan benchmarks include a variety of expectations, mostly in three categories – boosting CDC core competencies, improving the local environment for development, and increasing and broadening the production of our CDCs.

- In the core competency area, some of the cities have identified outcomes such as improving the management of previously built housing, expanding the recruitment of minority and neighborhood people into the field, and assisting CDCs learn more about strategic planning.
- In the system and environmental improvement area, benchmarks concentrate on improving the visibility of community development to attract more resources, and streamlining financing systems.
- The cities' production benchmarks include specific goals to increase the production of affordable housing, expanding commercial development, and tackling community development in a more comprehensive way (e.g., not just doing disconnected projects).

Living Cities: Producing Real Results for Communities

In the first decade of our work, Living Cities has had a demonstrated effect in several key areas of community development, including directly enhancing CDCs' capacity to develop affordable housing and community facilities, and engage in economic development projects. However, we believe that perhaps our most significant contribution has been to demonstrate how to change the environment in which this development occurs, thus increasing the sustainability and effectiveness of the public and private investments in CDC work. For example, our efforts have led to a significant increase in private sector investment, leveraging many times over the public sector investments made. In addition, we have focused on building the sustainable local community development systems of support and funding for CDCs and their work.

Building Sustainable Systems of Support: During our first ten years, we sought to demonstrate that communities and the CDCs that serve them would benefit from the development of stronger local and national systems of support. In addition to the creation of Living Cities, a national support system, we chose to focus our limited resources in supporting CDC projects and in investing heavily in CDC organizational capacity in 23 cities. According to an upcoming Urban Institute report, *Community Development*

Corporations and their Changing Support Systems, “NCDI played a key role in catalyzing CDC gains over the 1990s”.

Prior to the 1990’s, support for CDC initiatives had been largely ad hoc and poorly coordinated. However, by decade’s end, community development support “systems”, comprised of the interrelated people and institutions that mobilize money, expertise, and political support for community development, were created that helped to make investments “more rational, entrenched, and effective”. The Urban Institute concludes,

As prominent aspects of these systems, governments, financial institutions, and philanthropic organizations came together to create new collaborative bodies to support CDCs. These bodies linked CDCs to money, expertise, and political power. They attracted resources from local and national sources and channeled them to CDCs as project capital, operating subsidies, and technical assistance grants. They also engaged civic and political leaders in a neighborhood improvement agenda.

Two national intermediary organizations—the Local Initiatives Support Corporation (LISC) and The Enterprise Foundation (Enterprise)—can take major credit for the creation and growth of these new local collaboratives. Through their network of field offices in nearly 60 U.S. cities, LISC and Enterprise aggressively promote nonprofit community development and invest directly in CDC projects.

Leveraging Public and Private Investments: One of the primary goals of Living Cities is to leverage our funds with additional investment. We can count leverage at two levels: the national and the local.

At the national level, the federal funds – which Section 4 requires be matched on a 3-to-1 basis – leveraged over five private dollars for every federally-appropriated dollar. Living Cities brought new funders to community development. These funders joined this unique partnership because of the importance of its mission, its structure, and the fact that we employ a set of standards in our grant and loan-making which ensure the funders that tangible results will come from their investment.

Part of the uniqueness of Living Cities has been its ability to involve the Presidents of the foundations and chief lending officers of the financial institution members in our deliberations. This is not “just another” commitment that these funders make, but a deep giving and learning experience for them. Living Cities has provided an opportunity for these 16 organizations to talk about how our cities and inner-city neighborhoods are working – and see how their involvement can be maximized. It has resulted directly in changes in how a number of philanthropic partners fund urban revitalization, including increasing the funds they are committing to community development.

Most basically, Living Cities dollars are early, flexible, patient and have made a real difference. The Urban Institute report continues:

In some cities, the LISC or Enterprise [NCDI] funds attracted new predevelopment and construction funds from private lenders, as shown by the extensive field research conducted for this report. In Chicago, for example, NCDI funding no longer needs to be used for predevelopment because local banks now provide it at competitive rates. Field research also suggested that long-term

financing for CDC projects became more readily available; i.e., CDC projects that earlier might have struggled to find permanent finance from private banks on affordable terms were in the enviable position of having multiple banks vie with one another to make loans.

CDC Results: The Urban Institute has documented that Living Cities has had a direct, substantial and multifaceted impact on the development of affordable housing, commercial-use and community-use facilities.

First, they reported that approximately 300 CDCs, ranging from small brand-new ones formed in the early or mid-1990s to sophisticated organizations that have developed thousands of homes over the past two or three decades, received some support from our resources in the 23 cities. Almost 20,000 homes and apartments built or renovated using Living Cities funds. Interestingly, contrary to myth, not all of the units developed by the CDCs were rental units. They also include about 6,600 new homes built for sale to working class families, representing about one-third of all Living Cities-assisted homes – and this figure is growing fast. The importance of ownership housing as a way to build community stability and increase the assets owned by people in our neighborhoods has been well established. We are proud that Living Cities funds were instrumental in helping build over half of all ownership housing assisted by LISC and Enterprise in such cities as Cleveland, Boston, Seattle, Phoenix, Indianapolis and Kansas City.

The Urban Institute points out that in many of our 23 cities, the local CDCs are the largest developers of affordable housing. In part, this is because the size of their projects has grown to over 50 units each, on average. We believe some of that is also because we and our intermediary partners have chosen to invest substantial funds in CDC capacity building. In the first decade of Living Cities, about \$60 million went directly into CDC capacity building programs in the 23 cities, and approximately 2/3 of all of the CDCs that received Living Cities project support also received this capacity building support.

The CDCs have also become adept at a wider range of development activities in the 1990s, including now the development of charter schools, health and child care centers, retail facilities, anti-crime programs, youth and elderly programming, and the preparation of families to become homebuyers. It may not be surprising then that the number of CDCs able to build 10 units or more of affordable housing per year, according to Urban Institute standards, jumped 63 percent from 1991 to 2001. The CDCs assisted with NCDI resources also developed almost 1.7 million square feet of commercial and community-use facilities, representing about half of all such production by CDCs in these 23 cities.

Not only have the CDCs grown, but their neighborhoods and communities have benefited from their increased capacity. According to an Urban Institute survey of the capable CDCs, 88 percent of the CDCs' neighborhoods had signs of increased property values during the first ten years of Living Cities, 83 percent pointed to improved physical appearance, 73 percent felt there was more private development of housing and 61 percent more private development of retail spaces. And, 73 percent could point to increased private sector lending in their communities.

CDC Needs: We strongly believe that CDCs are extremely effective vehicles for improving communities. However, CDCs need to be strong so they can funnel

investment into neighborhoods, foster better community involvement, and create the partnerships needed to maintain the improvement they have begun.

Thus, we feel that it is necessary to build CDC capacity across several areas, and not just in project development. With Enterprise and LISC, we have identified six core competencies – and expect to see growth, where needed, in all of them. Our competencies are: effective program delivery; strong strategic alliances; sound information technology use; strong community leadership; effective governance and internal management; and the capacity to attract and generate financial and human resources.

To further address these issues, many of which are business management issues, we have approached the Robert J. Milano Graduate School of Management and Urban Policy at the New School University for assistance. Their work at devising management tools, distance learning programs, diagnostic approaches, recruitment and human resource techniques will be made available to all practitioners in the community development field. Similarly, work Living Cities is supporting in the information technology area is also expected to have a broad impact on the field. But the needs of the field far outstrip the available resources. We have demonstrated that strategic investment of resources can have measurable impact in inner-city neighborhoods. H.R 3974 represents an opportunity to deepen the impact of CDCs to rebuild and sustain healthy communities.

The Case for Increased Federal Action

The Living Cities funders are proud of the accomplishments of the first ten years of Living Cities, which is why they chose to commit significant additional resources for the next decade. We will continue to work with LISC and Enterprise, but have also committed to work on several new endeavors, including a new technology initiative, a more concerted policy and learning effort, and a pilot cities demonstration program which is aimed at coordinating the community development work of our partners, government agencies and other contributors to have a deeper impact in selected neighborhoods. Our efforts in the Research/Policy arena, as well as the Pilot Cities Initiative, both have as their primary focus enhancing neighborhood economic development: strengthening the capacity of neighborhoods and their residents to effectively participate in their regional economy.

However, despite the significant gains made in Living Cities communities during the first decade and our ambitious plans for the next, we have learned that future gains will be severely limited without additional federal investment. Federal agency support is required both financially and as participants in the conversations on how our cities can and must change if they are to be vibrant places in which to live, work and raise a family.

I again thank you for today's opportunity to talk about CDCs and Living Cities, and I would be happy now to answer questions you may have.

Attachment 1

Living Cities Funders:

U.S. Department of Housing and Urban Development

J.P. Morgan Chase & Company

Bank of America

Metropolitan Life Insurance Company

The Prudential Insurance Company of America

The AXA Community Investment Program

Deutsche Bank

John D. and Catherine T. MacArthur Foundation

The Rockefeller Foundation

The Annie E. Casey Foundation

W.K. Kellogg Foundation

John S. and James L. Knight Foundation

Fannie Mae Foundation

Robert Wood Johnson Foundation

The McKnight Foundation

Surdna Foundation

Office of Community Services of the U.S. Department of Health and Human Services

Living Cities Locations:

Atlanta	Denver	Philadelphia
Baltimore	Detroit	Phoenix
Boston	Indianapolis	Portland
Chicago	Kansas City	San Antonio
Cleveland	Los Angeles	San Francisco Bay Area
Columbus	Miami	Seattle
Dallas	New York	St. Paul/Minneapolis
	Newark	Washington, D.C.